

# Senate Study Bill 1071

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON WAYS  
AND MEANS BILL BY CHAIRPERSON  
McKIBBEN)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to the establishment of tax credits for income  
2 tax, franchise tax, premiums tax, and moneys and credits tax  
3 for businesses contributing to child care benefits for  
4 employees and including effective and applicability date  
5 provisions.  
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
7 TLSB 1598XC 80  
8 mg/pj/5

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1 1 Section 1. NEW SECTION. 15.375 SHORT TITLE.  
1 2 This part shall be known as and may be cited as the "Child  
1 3 Care Employee Benefits Act".  
1 4 Sec. 2. NEW SECTION. 15.376 DEFINITIONS.  
1 5 As used in this part, unless the context otherwise  
1 6 requires:  
1 7 1. "Business" means all businesses operating within the  
1 8 state and includes individuals operating a sole proprietorship  
1 9 or having rental, royalty, or farm income in this state and  
1 10 includes a consortium of businesses.  
1 11 2. a. "Child care" means the same as defined in section  
1 12 237A.1.  
1 13 b. "Child care center" means a facility licensed pursuant  
1 14 to section 237A.2 to provide child care.  
1 15 3. "Contribution" includes cash, material or supplies,  
1 16 real estate, labor, professional services, technical  
1 17 assistance, or equipment. "Contribution" does not include  
1 18 investments made by a financial institution or insurance  
1 19 company in the normal course of its business.  
1 20 Sec. 3. NEW SECTION. 15.377 CHILD CARE CENTER TAX CREDIT  
1 21 == APPROVAL OF PROJECTS AND PROPOSALS.  
1 22 1. TAX CREDIT. A business which for the benefit of its  
1 23 employees builds, contributes to, or operates a new or  
1 24 existing child care center in the state or subsidizes access  
1 25 to a child care center in the state shall receive a child care  
1 26 center tax credit as provided in section 15.378 if the  
1 27 director annually approves the proposal of the business.  
1 28 2. CHILD CARE EMPLOYEE BENEFITS. For child care employee  
1 29 benefits for which a child care center tax credit under this  
1 30 part may be approved, the following apply:  
1 31 a. A proposal for a project shall be submitted by a  
1 32 business located in or doing business in the state.  
1 33 b. The proposal shall be on forms supplied by the  
1 34 department. The proposal shall identify the location of the  
1 35 child care center which must be in the state.  
2 1 c. To be eligible for a child care center tax credit, the  
2 2 business must provide child care employee benefits for its  
2 3 employees through any of the following:  
2 4 (1) Build a new structure or rehabilitate an existing  
2 5 structure to be used as a child care center. A business may  
2 6 do the building or rehabilitating in conjunction with another  
2 7 business or entity but only the business's actual costs shall  
2 8 be considered in determining the amount of credit. At least  
2 9 five children of its employees are provided child care at the  
2 10 center.  
2 11 (2) Operate or lease a child care center where at least  
2 12 five children of its employees are provided child care at the  
2 13 center.  
2 14 (3) Donate money, supplies, or other tangible personal  
2 15 property to a child care center where at least five children  
2 16 of its employees are provided child care.  
2 17 (4) Pay the cost for the equivalent of five children of  
2 18 its employees to attend a child care center.  
2 19 d. A business is ineligible for a child care center tax

2 20 credit if it derives income from the operation, lease, or  
2 21 management of more than one child care center.  
2 22 e. An annual application deadline shall be determined by  
2 23 the department and application material shall be distributed  
2 24 upon request no less than sixty days prior to the actual  
2 25 application deadline.  
2 26 3. TAX CREDIT APPLICATION.  
2 27 a. The department shall approve or disapprove applications  
2 28 for child care center tax credits for businesses that have  
2 29 provided child care for the benefit of their employees. The  
2 30 director, upon approval of an application, shall notify the  
2 31 director of revenue and finance and the governor of those  
2 32 businesses entitled to a tax credit.  
2 33 If the business meets the criteria for eligibility, the  
2 34 department of economic development shall issue to the business  
2 35 a certification of entitlement for the child care center tax  
3 1 credit. The certification shall contain the name of the  
3 2 business, address, tax identification number, the amount of  
3 3 the credit, the tax year for which the certificate applies,  
3 4 and any other information required by the department of  
3 5 revenue and finance.  
3 6 b. The procedures and requirements for filing a tax credit  
3 7 application are as follows:  
3 8 (1) Businesses wanting to provide child care employee  
3 9 benefits, but first wishing to verify the eligibility of the  
3 10 provision of child care employee benefits for a tax credit,  
3 11 may submit a tax credit eligibility confirmation form to the  
3 12 department. The department will confirm in writing whether or  
3 13 not the provision of child care employee benefits qualifies  
3 14 for credit and how the value of the credit will be determined.  
3 15 This confirmation will not constitute credit approval.  
3 16 (2) In order to qualify for credit, providing of child  
3 17 care employee benefits must occur during the approved project  
3 18 period with the exception of donated audit services, which may  
3 19 occur anytime during the six-month period following the  
3 20 project period, and must be directly related to the approved  
3 21 project.  
3 22 (3) Businesses wishing to apply for credit must complete a  
3 23 child care center tax credit application.  
3 24 (4) Tax credit applications are to be signed by the  
3 25 managing entity of the child care center and submitted  
3 26 directly to the department not later than one year following  
3 27 the date of provision of child care employee benefits.  
3 28 (5) The order in which completed credit applications are  
3 29 received by the department will determine the order in which  
3 30 credits are approved. Facsimile copies will not be considered  
3 31 completed applications.  
3 32 (6) The department shall examine all submitted  
3 33 applications and determine which child care employee benefits  
3 34 meet the eligibility criteria.  
3 35 c. The department shall establish by rule the methods to  
4 1 be used in determining the value of child care employee  
4 2 benefits of a business.  
4 3 Sec. 4. NEW SECTION. 15.378 TAX CREDIT == DOCUMENTATION.  
4 4 1. For a tax credit application approved pursuant to  
4 5 section 15.377, the child care center tax credit available  
4 6 under this part may be used to reduce the tax liability  
4 7 imposed under chapter 422, division II, III, or V, or chapter  
4 8 432 or 533.  
4 9 2. Subject to subsections 3 and 4, the amount of the child  
4 10 care center tax credit shall be twenty-five percent of the  
4 11 cost to provide the child care employee benefits.  
4 12 3. a. The tax credit shall not exceed one hundred  
4 13 thousand dollars annually.  
4 14 b. Any tax credit in excess of the business's tax  
4 15 liability for a tax year may be credited to the tax liability  
4 16 for the following five tax years or until depleted, whichever  
4 17 is the earlier.  
4 18 c. A financial institution or insurance company shall not  
4 19 receive a tax credit for activities that are part of its  
4 20 normal course of business.  
4 21 d. To be eligible to receive the tax credit, a business  
4 22 shall provide documentation of the contributions or costs on  
4 23 which the credit is based. The documentation shall be as  
4 24 specified by rules of the department.  
4 25 4. The total amount of child care center tax credits that  
4 26 may be approved pursuant to this part shall not exceed two  
4 27 million dollars in any fiscal year.  
4 28 Sec. 5. NEW SECTION. 422.11H CHILD CARE CENTER TAX  
4 29 CREDIT.  
4 30 The taxes imposed under this division, less the credits

4 31 allowed under sections 422.12 and 422.12B, shall be reduced by  
4 32 a child care center tax credit received pursuant to sections  
4 33 15.375 through 15.378.

4 34 An individual may claim the tax credit allowed a  
4 35 partnership, limited liability company, S corporation, or  
5 1 estate or trust electing to have the income taxed directly to  
5 2 the individual. The amount claimed by the individual shall be  
5 3 based upon the pro rata share of the individual's earnings of  
5 4 the partnership, limited liability company, S corporation, or  
5 5 estate or trust.

5 6 Any credit in excess of the tax liability for the tax year  
5 7 may be credited to the tax liability for the following five  
5 8 tax years or until depleted, whichever is earlier.

5 9 If the child care center tax credit is taken on the tax  
5 10 return, a deduction shall not be allowed for Iowa tax purposes  
5 11 for expenditures for providing child care employee benefits  
5 12 which are deductible for federal tax purposes.

5 13 Sec. 6. Section 422.33, Code 2003, is amended by adding  
5 14 the following new subsection:

5 15 NEW SUBSECTION. 14. The taxes imposed under this division  
5 16 shall be reduced by a child care center tax credit received  
5 17 pursuant to sections 15.375 through 15.378.

5 18 Any credit in excess of the tax liability for the tax year  
5 19 may be credited to the tax liability for the following five tax  
5 20 years or until depleted, whichever is earlier.

5 21 If the child care center tax credit is taken on the tax  
5 22 return, a deduction shall not be allowed for Iowa tax purposes  
5 23 for expenditures for providing child care employee benefits  
5 24 which are deductible for federal tax purposes.

5 25 Sec. 7. Section 422.60, Code 2003, is amended by adding  
5 26 the following new subsection:

5 27 NEW SUBSECTION. 7. The taxes imposed under this division  
5 28 shall be reduced by a child care center tax credit received  
5 29 pursuant to sections 15.375 through 15.378.

5 30 Any credit in excess of the tax liability for the tax year  
5 31 may be credited to the tax liability for the following five  
5 32 tax years or until depleted, whichever is earlier.

5 33 If the child care center tax credit is taken on the tax  
5 34 return, a deduction shall not be allowed for Iowa tax purposes  
5 35 for expenditures for providing child care employee benefits  
6 1 which are deductible for federal tax purposes.

6 2 Sec. 8. NEW SECTION. 432.12D CHILD CARE CENTER TAX  
6 3 CREDIT.

6 4 The tax imposed under this chapter shall be reduced by a  
6 5 child care center tax credit received pursuant to sections  
6 6 15.375 through 15.378.

6 7 Any credit in excess of the tax liability for the calendar  
6 8 year may be credited to the tax liability for the following  
6 9 five calendar years or until depleted, whichever is earlier.

6 10 Sec. 9. Section 533.24, Code 2003, is amended by adding  
6 11 the following new unnumbered paragraph:

6 12 NEW UNNUMBERED PARAGRAPH. The tax imposed on moneys and  
6 13 credits under this section shall be reduced by a child care  
6 14 center tax credit received pursuant to sections 15.375 through  
6 15 15.378. Any credit in excess of the tax liability for the tax  
6 16 year may be credited to the tax liability for the following  
6 17 five tax years or until depleted, whichever is earlier.

6 18 Sec. 10. EFFECTIVE AND APPLICABILITY DATE. This Act,  
6 19 being deemed of immediate importance, takes effect upon  
6 20 enactment. Sections 5 through 9 of this Act apply to tax  
6 21 years beginning on or after January 1, 2004.

6 22 EXPLANATION

6 23 This bill establishes a child care employee benefits  
6 24 program administered by the department of economic  
6 25 development. The program is to provide tax incentives to  
6 26 businesses which make expenditures to provide child care  
6 27 benefits to its employees. The child care employee benefits  
6 28 involve the business building or rehabilitating an existing  
6 29 structure as a child care center for use of its employees,  
6 30 paying for children of employees to attend a child care  
6 31 center, operating or leasing a center, or donating money or  
6 32 tangible property to a center at which its employees' children  
6 33 attend.

6 34 The tax incentives are provided in the form of tax credits  
6 35 which may be used to offset the tax liability under the  
7 1 individual and corporate income taxes, financial institution  
7 2 franchise tax, the insurance gross premiums tax, and the  
7 3 credit union moneys and credits tax.

7 4 The amount of the child care center tax credit equals 25  
7 5 percent of the expenditures for providing child care employee  
7 6 benefits with a maximum credit of \$100,000. The tax credits

7 7 must be approved by the department of economic development.  
7 8 Not more than \$2 million in these credits may be approved in a  
7 9 fiscal year.  
7 10 The bill takes effect upon enactment and the tax credit  
7 11 provisions are effective January 1, 2004, for tax years  
7 12 beginning on or after that date.  
7 13 LSB 1598XC 80  
7 14 mg/pj/5